The Workers' Compensation Board – Alberta

SIXTY-NINTH ANNUAL REPORT
1986

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The Workers' Compensation Board Alberta

KENNETH C. PALS
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PETER KOLBA
BOARD MEMBER

MORRIS E. BAHRY
BOARD MEMBER

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The Lieutenant Governor in Council,
Province of Alberta,
Edmonton, Alberta

Your Honour,

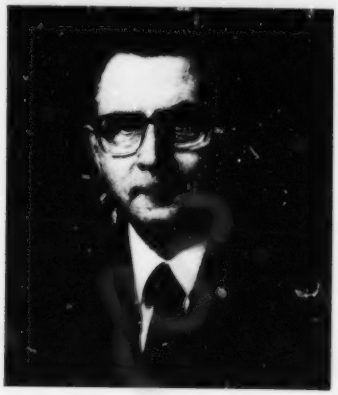
In accordance with Section 87, subsection (2) of the Workers' Compensation Act, the Workers' Compensation Board is pleased to present its annual report for the year ended December 31, 1986.

Kenneth C. Pals
Chairman and Chief Executive Officer

Peter Kolba
Board Member

Morris E. Bahry
Board Member

The Board

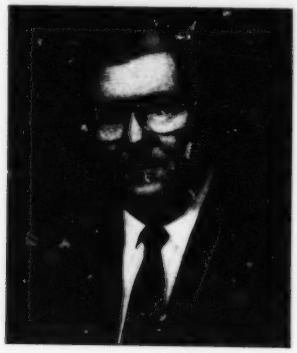


Kenneth C. Pals
Chairman

Mr. Pals was appointed chairman and chief executive officer January 18, 1984. He has a background of financial and administrative experience from the banking and petroleum industries. Prior to his appointment, he served in managerial and executive positions with the Bank of Montreal, Pacific Petroleums Ltd. and Petro-Canada. He is a graduate of the Banff School of Advanced Management.

Peter Kolba
Member

Appointed to the Board in 1974, Mr. Kolba brings to his position a deep understanding of the problems of disabled workers. Prior to his appointment, he served as secretary-treasurer of the Alberta Federation of Labour. He was also the full-time Alberta representative of the United Food and Commercial Workers Union, formerly the Canadian Food and Allied Workers Union.



Morris E. Bahry
Member

Mr. Bahry was appointed to the Board effective March 1, 1982. Prior to his appointment, he held a variety of management positions in marketing and customer service industries. He has owned several businesses in Alberta and British Columbia. Mr. Bahry has extensive senior level involvement in community service organizations.

Note: Dr. A.L. (Bert) Hohol, vice-chairman, and Mr. Roy H. Jamha, Board member, retired from the Workers' Compensation Board effective March 31, 1987.

Summary of Activities – 1986

Number of Claims Reported	58,903
Re-Opened Claims	7,650
Non-Compensable Claims (rejected)	7,805
Number of Disability Awards	2,547
Fatalities Accepted	132
Claims Costs (in millions)	$316.3
Number of Claim Appeals	911
Number of Registered Employers	56,741
Number of Industry Accounts	61,370
Assessment Revenue (in millions)	$302
Average Assessment Rate (in dollars)	$1.63
Unfunded Liability (in millions)	$289.7

The Workers' Compensation Board building – Edmonton, Alberta.

Report of the Board

The major challenge faced by the Workers' Compensation Board was to maintain efficient service levels while operating in another year of financial restraint.

The provincial economy showed little sign of recovery, yet the number of claims reduced only slightly and the number of re-opened claims increased significantly. The need to review claims administration became necessary towards the end of the year, as compensation costs continued to climb steadily.

The financial impact of rising costs was further compounded by the decision not to increase assessment rates for the fourth year in a row. This decision, which was taken in consultation with the Economic Planning Committee of Cabinet, was designed to recognize the economic pressures on industry and to avoid adding to their burden.

As a direct outcome, the operating loss for 1986 was $59.4 million, and increased the total unfunded future liability to $289.7 million. The Board is confident the financial setbacks experienced during the past few years are short term, and will continue to exercise all appropriate controls to ensure the corporation's financial strength is maintained.

The number of employers registered with the WCB increased throughout the year, and combined with the need for closer scrutiny and investigation of claims, heightened the level of administrative activity. The design, development and implementation of the experience rating program added further pressure on administrative expenses. As a result, administrative costs increased during 1986, although the Board is pleased to note these costs still compare favourably with other Workers' Compensation Boards in Canada, and with private sector insurance companies.

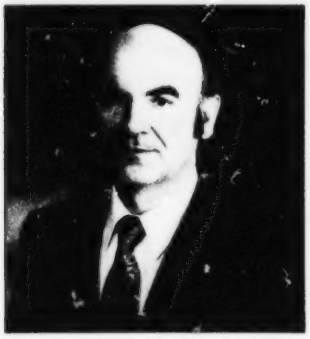
Despite continued physical and financial restraints and ever increasing demands for still further enhanced service, the staff of the WCB met those challenges, implemented new systems and modified others without major disruption in the quality or level of service. The Board is most appreciative of the efficient manner in which staff responded to the challenges and coped with the changes.

With a view to determining the future direction of the WCB from an organizational perspective, a firm of management consultants was engaged in the latter part of the year to assist in the development of a directional plan. This project will extend into 1987.

After several years of valuable, dedicated service to the WCB – Alberta, vice-chairman Dr. A.E. (Bert) Hohol and Board member and former chairman Roy Jamha announced their intention to take early retirement in the spring of 1987. Dr. Hohol was appointed a Board member in May 1979, and vice-chairman of the WCB on March 1, 1982. Mr. Jamha assumed the chairmanship of the Workers' Compensation Board in January 1973. Effective January 1, 1984 he relinquished the position of chairman and was appointed to serve as a Board member.

WCB client (L) gets assistance from claims information clerk, Helene Bacha.

Claims Services



John Wisocky
Executive Director
Claims Services

Claims Services comprises the Claims, Vocational Rehabilitation and Medical departments as well as the Rehabilitation Centre. Together these departments use existing methods, new technology, research, communication and education to deliver compensation services to injured workers.

Claims

Although there were fewer new claims reported during 1986, the total of re-opened and lost time claims increased over 1985. To handle this situation, the Claims department explored new ways to use existing staff resources. Training and cross-training of key resource people was a high priority. This enabled the department to amalgamate several functions to improve productivity and efficiency.

Continued communication was also a priority. Claims counsellors were assigned to employer and worker groups and were involved in many speaking engagements. In addition, Claims personnel made over 1,900 hospital visits to injured workers.

Telephone response times were significantly improved and department staff handled over 290,000 inquiries.

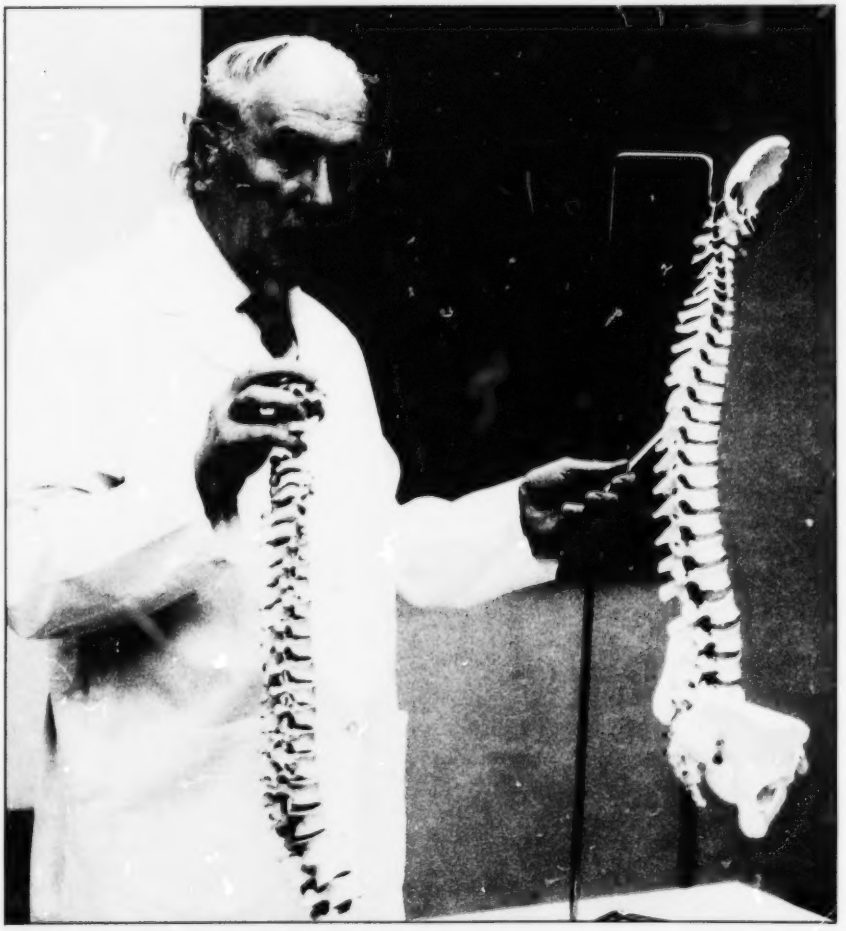
Medical

The average number of claim files active in the Medical department on any given day was over 1,000.

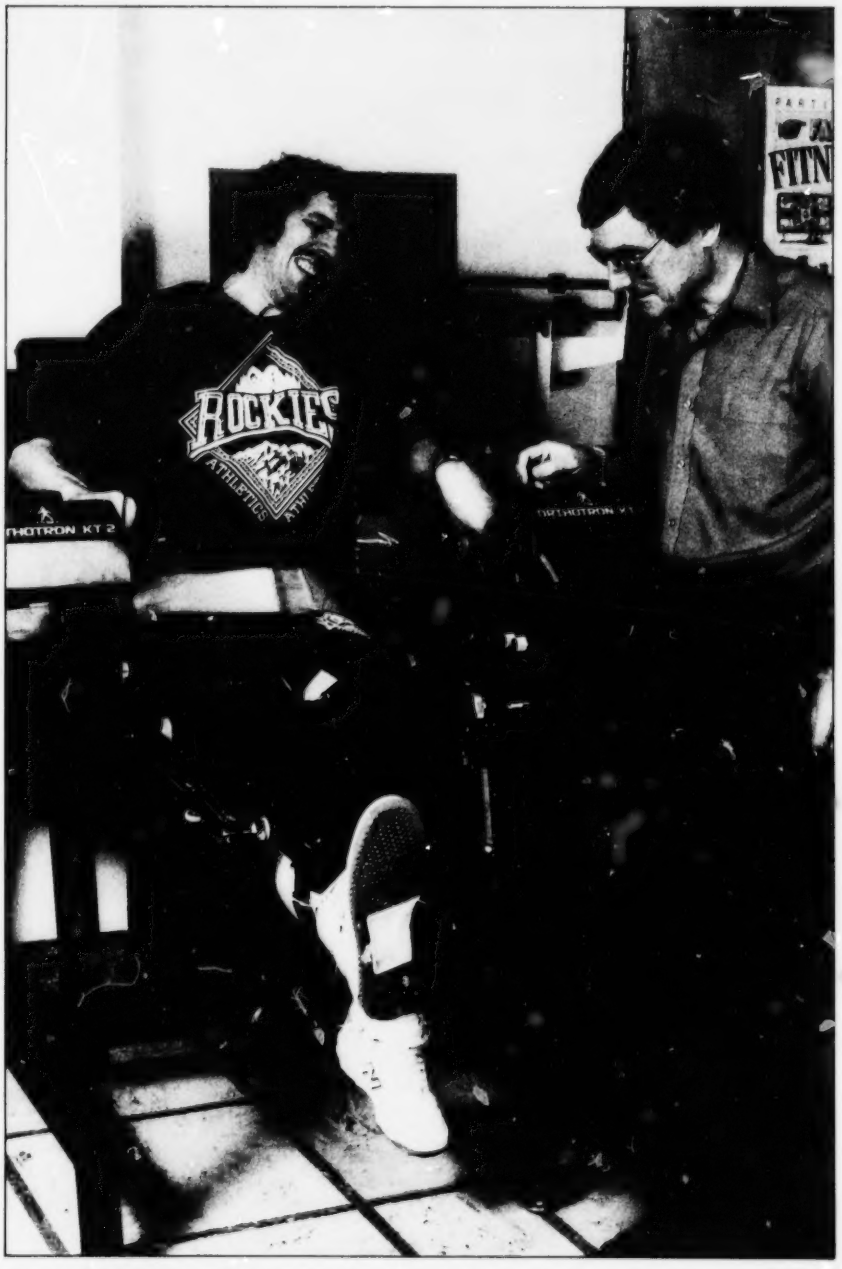
Claims for back injuries represent more than 40% of all referrals to the Medical department. This made the Back Injury unit the department's busiest area.

The Medical Advisory division performed over 4,500 examinations in 1986. Part-time medical specialists dealt with over 3,000 cases.

To improve the WCB's ability to deal with difficult claims, the Medical department became involved in four research projects – Back Impairment Assessment, Head Injuries, Eye Injuries and the use of Magnetic Resonance Imaging in the treatment of knee injuries.



The Rehabilitation Centre's Dr. Richard Short explains the mechanics of the spine during a back education seminar.



Physical therapist Alex Calder tests the leg strength of a worker.

Rehabilitation Centre

Services offered to injured workers by the WCB's Rehabilitation Centre include medical, physical therapy, occupational therapy, psychology and work evaluation. During 1986, these services were provided to 1,859 claimants. The average number treated per day was 217 and the average length of stay was 43 days.

Program development continued throughout 1986 in all areas of the Centre with particular emphasis on specific muscular strengthening based on the claimant's needs. A major project was the development of a data base to be used in evaluating workers and programs. This data base is scheduled to be fully integrated in the Centre's programs in 1987.

Rehabilitation Centre staff, in co-operation with Alberta Community and Occupational Health, conducted Back Care Education seminars for industry. These seminars were geared to educate workers and reduce the incidence of back injuries.

Staff of the Medical department conducted information sessions with various medical groups in the province, published articles related to the medical aspect of workers' compensation and participated in continuing medical education activities.

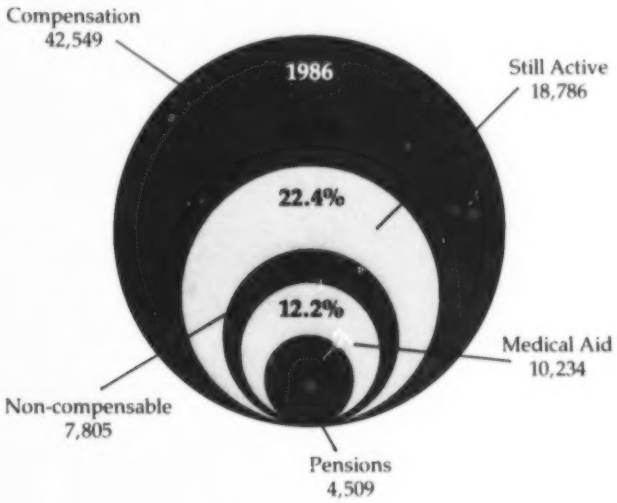
Vocational Rehabilitation

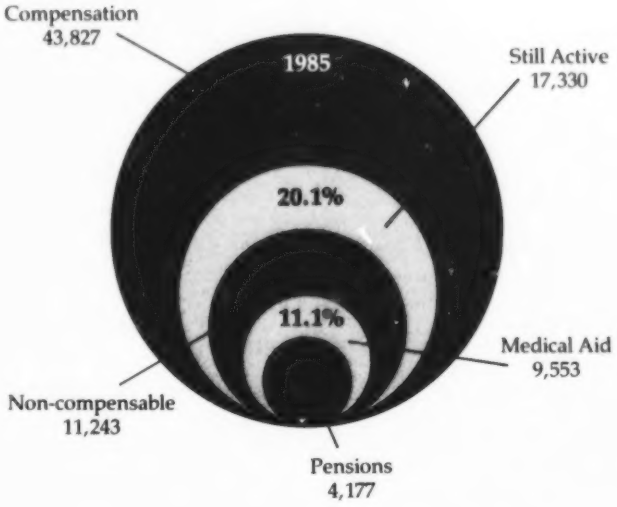
Despite the struggling economy, the Vocational Rehabilitation department assisted a greater number of workers return to work with the employers they had worked for at the time of their accidents.

The marketing strategy of the return-to-work program, renamed "The Working Solution", was implemented. This included a selective advertising campaign to enhance public awareness of the program. Response was positive and the program will be reviewed to assess its overall effectiveness and determine future strategy. The WCB appreciates the co-operation of the many employers who supported the program. The use of educational and other skill development programs to assist injured workers increased significantly during the year.

Mary Naito, vocational rehabilitation counsellor, consults with a worker being retrained in electronics.

Volume and Type of Claims Administered in 1985 and 1986





Summary of Claims Administered

	1986	1985
Claims under Active Administration as of January 1st	**17,330**	17,879
New Claims (all types) Reported during the Year[1]	**58,903**	62,626
Previously Closed Claims Reopened during the Year	**7,650**	5,625
TOTAL CLAIMS ADMINISTERED	**83,883**	86,130
Claims in which a Pension Award or Final Payment of Compensation was made	**47,058**	48,004
Claims in which Medical Aid only was Payable	**10,234**	9,553
Claims in which neither Compensation nor Medical Aid was Payable[2]	**7,805**	11,243
SUB-TOTAL OF CLAIMS ADMINISTERED	**65,097**	68,800
Claims under Active Administration as of December 31st	**18,786**	17,330
TOTAL CLAIMS ADMINISTERED	**83,883**	86,130

[1]Note: New claims of all types include Pensions, Lost Time Claims, Medical Aid Claims, and claims in which a judgement is pending. Non-compensable claims are also included in this category.

[2]Note: Refers to a claim for compensation which was not covered under the Act, not established, or the accident was deemed not in the course of employment.

Cross-Referenced Breakdown for 1986

Status at Year End	Claims under Active Administration as of January 1st	New Claims Reported in 1986	Re-opened Claims in 1986	Totals
Pensions Awarded	2,208	93	2,208	4,509
Compensation Paid	6,943	32,623	2,983	42,549
Medical Aid Only Paid	1,192	8,132	910	10,234
Non-compensable	1,744	5,998	63	7,805
Still Active	5,243	12,057	1,486	18,786
TOTALS	17,330	58,903	7,650	83,883

Permanent Disability Awards Approved in 1986 by Part of Body Affected[1]

	1986	1985
Back	**730**	657
Thumb or Finger	**599**	519
Leg	**251**	202
Arm	**228**	178
Ear[2]	**167**	156
Foot	**142**	112
Hand	**113**	93
Multiple Body Parts	**73**	52
Head or Face	**47**	52
Eye[3]	**44**	26
Pulmonary System	**40**	21
Toe	**38**	36
Pelvis or Hip	**34**	32
Heart	**19**	10
Miscellaneous	**22**	26
Totals	**2,547**	2,172

[1]Note: These data do not sum to the totals in the Cross-Referenced Breakdown (Pensions) due to different selection criteria. Figures include carried over pensions from prior years. The Cross-Referenced Breakdown table refers to administered as opposed to approved pensions.

[2]Note: Ear refers to loss of hearing.

[3]Note: Eye refers to loss of vision.

Woodworking is only one Occupational Therapy activity whereby workers prepare themselves to re-enter the workforce.

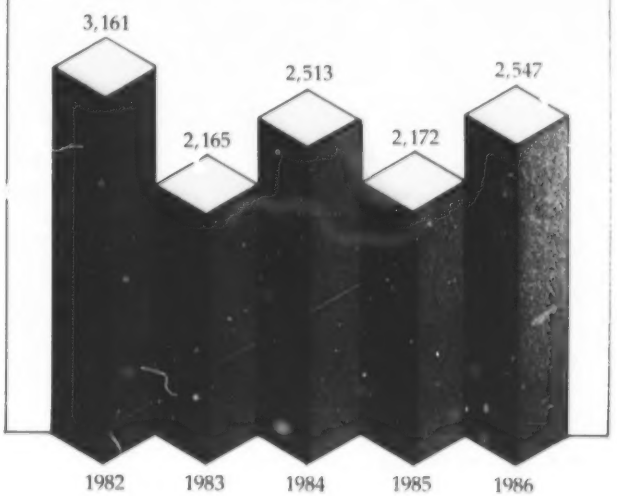
Fatalities Accepted in 1986 by Type of Accident

Type of Accident	Accident Reported in 1986	Accident Reported Prior to 1986	Total
Motor Vehicle	44	8	52
Falls from elevation ..	8	1	9
Aircraft	7	—	7
Electrocution	5	—	5
Falling Object(s)	5	—	5
Heart Attack	4	9	13
Mobile Equipment ...	4	2	6
Fire, Explosion	3	—	3
Flying Object(s)	3	—	3
Stationary Equipment	3	—	3
Asphyxia, Drowning	2	1	3
Cave-in	1	—	1
Load or Materials	—	2	2
Miscellaneous[1]	5	15	20
Totals	94[2]	38	132

[1]Note: This category includes occupational diseases.

[2]Note: Twenty-six (26) fatalities fell under the jurisdiction of the Federal Government of Canada.

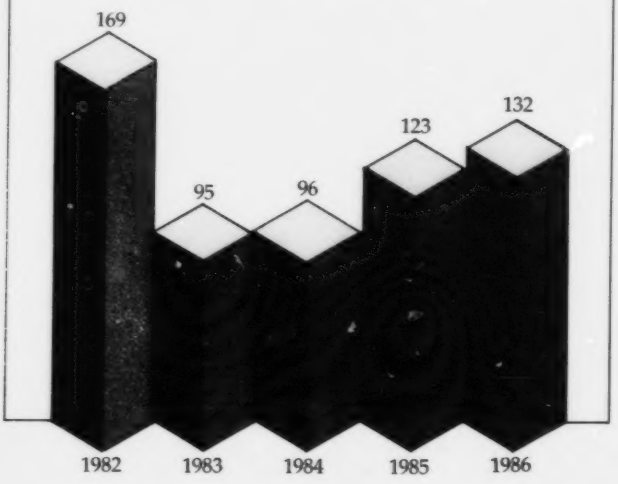
Total Number of Disability Awards Approved by Year



Number of New Claims Reported by Part of Body in 1986[1]

	1986	1985
Back	13,907	14,199
Fingers	6,522	7,399
Toes, Feet or Ankles	5,861	6,325
Chests, Hips or Shoulders	5,358	5,724
Multiple Injuries	4,900	4,728
Hands or Wrists	3,981	4,418
Arms	3,406	3,544
Non-Personal Damage	3,208	3,071
Head or Neck	3,119	3,373
Knees	3,073	3,475
Eyes	2,664	3,266
Legs	2,011	2,227
Body Systems	812	794
Unclassified	81	83
Totals	58,903	62,626

Total Number of Fatal Claims Accepted by Year



Number of New Claims Reported by Nature of Injury in 1986[1]

	1986	1985
Strain or Sprain	24,618	25,776
Bruise	8,066	9,906
Cut or Laceration	7,080	8,116
Multiple Injuries	5,469	4,227
Fracture or Dislocation	3,758	4,353
Non-Personal Damage	3,208	3,071
Burn or Scald	1,928	2,216
Bursitis or Synovitis	1,906	2,006
Other Industrial Injury	701	380
Dermatitis or Systemic Poisoning	609	671
Other Industrial Disease	446	391
Arc or Welding Flash Burn	253	379
Temperature Effects	56	137
Amputation	31	18
Radiation Effects	4	2
Unclassified	770	977
Totals	58,903	62,626

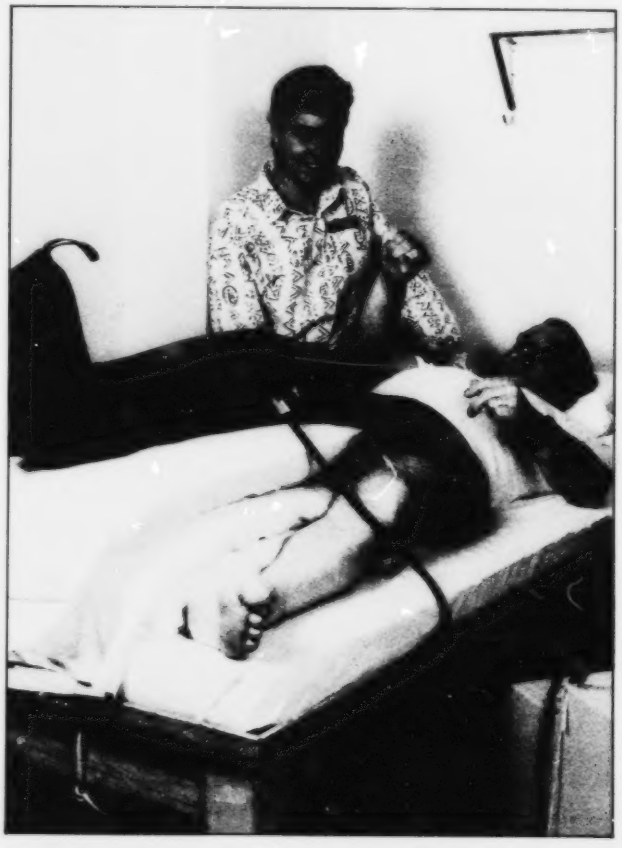
[1]Note: All types of claims are included in the table e.g., Lost Time, Pensions, Medical Aid, and claims which have neither been accepted nor rejected.

Summary of Compensation Days Paid for the Years 1986 – 1982[1]

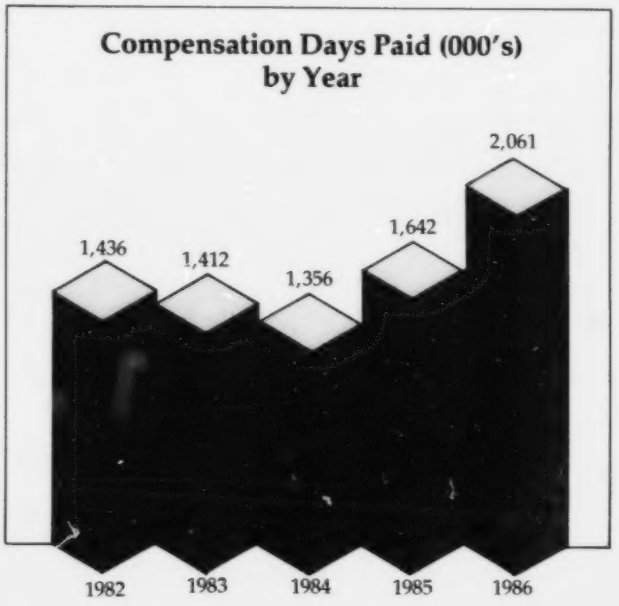
Year of Accident	1986	1985	1984	1983	1982
Current Year	**957,406**	862,018	724,713	733,354	822,851
Previous Year	**673,471**	478,337	380,254	468,013	431,303
Prior Years	**430,436**	301,587	250,684	211,039	182,187
TOTALS	**2,061,313**	1,641,942[2]	1,355,651	1,412,406	1,436,341

[1]Note: The total number of compensation days paid by the WCB are shown for each year. Using the figures of 1986 as an example: **Current year** indicates 957,406 days paid on behalf of claims filed in 1986. **Previous year** indicates 673,471 days paid in 1986 on behalf of claims carried over from 1985. **Prior years** indicates 430,436 days paid in 1986 on behalf of claims carried over from years prior to 1985.

[2]Note: The 1985 total compensation days has been corrected from 1,541,942 to 1,641,942. The error occurred due to a transcription error in the 1985 Annual Report.



Mary McGregor, physical therapist, gives a worker treatment to reduce swelling in an injured limb.



Administration

T. Patrick Griffin
Executive Director
Administration

Administration, comprising Administrative Services, Legal, Information Systems, Personnel, Media and Communications Services, Research and Statistics and the five regional offices, provides support to all areas of the WCB. This group of departments all responded to the needs of the organization in a prompt, professional and cost-conscious manner.

Legal

Through the Legal department, the WCB offers third party services to workers. During the year, WCB legal staff were involved in settling 54 actions resulting in a gross recovery of $878,867.

In collection-priority issues, the Legal department also recovered more than $612,200 in co-operation with the WCB's Assessment department.

In other legal action, nine possible fraud cases were referred to the Attorney General; five cases resulted in convictions and four in dismissals during 1986.

During the year, seven claimants challenged the provision in the Workers' Compensation Act prohibiting an injured worker who is entitled to compensation benefits from suing an employer under the Act. These challenges were launched on the basis that such a bar to action conflicted with the Charter of Rights and Freedoms and therefore was unconstitutional. The claimants are of the opinion that by not having the right to sue, they do not receive equal benefits under the law and are being discriminated against. One of these cases was heard by the Alberta Court of Queen's Bench in 1986 and the decision is still pending. A similar case was heard in Newfoundland and that court held that the immunity from action provision was discriminatory and therefore unconstitutional. The Newfoundland decision has been appealed and will be heard by a five member appellate court in June 1987. The Newfoundland Court of Appeal invited interested parties across Canada to intervene and 18 have done so, including the Alberta WCB. The Alberta Federation of Labour, the Canadian Labour Congress, the Alberta Chamber of Commerce and other unions and business groups have expressly supported the position of the Workers' Compensation Boards that the status quo of the existing legislation be maintained.

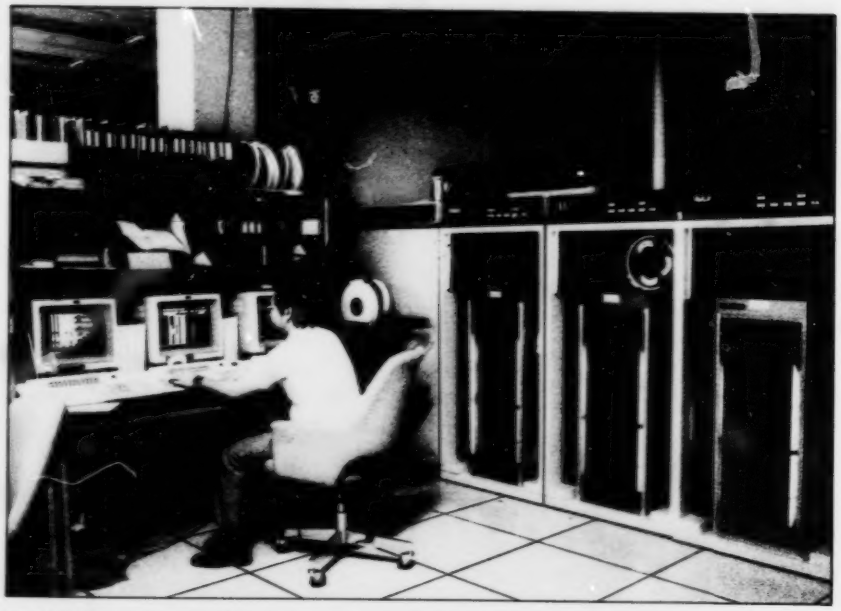
Information Systems

The demand for increased functions, performance and support of the applications needed by the various areas of the WCB, called for major improvements to the mainframe computer operating system. Replacement of the operating system allowed greater and more efficient access to the system throughout the organization.

Installation of the new operating system coincided with the development efforts required for implementing the new experience rating program. Experience rating required a major systems development project to implement changes to the assessment rates applied to employers in the province. This project was undertaken jointly by the Information Systems department and a firm of consultants.

The computer mainframe memory was upgraded substantially. This additional capacity was necessary to address the growth in usage and additional on-line applications. Additional equipment was also installed to support major project development and increased usage.

(L to R) Debbie Borden, Claims; Holly Berquist, Vocational Rehabilitation; and Lionel Martin, Assessment, man the WCB information booth at a trade fair. Activities such as this are part of the WCB's ongoing public education program.

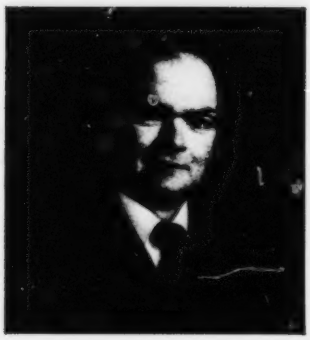


The WCB's computer mainframe memory was upgraded substantially in 1986 to accommodate the growth in usage and additional on-line applications.

Communications and Public Education

Communicating with the WCB's clients and the public continued to be a major activity during 1986. Staff from all departments were involved in more than 200 meetings, seminars and public speaking engagements compared to approximately 140 the previous year. The quarterly newsletter and various brochures, booklets and other publications were widely circulated. Audio-visual presentations were used extensively to provide information about the organization's activities. Senior staff took part in several radio and television talk shows and newspaper interviews throughout the province to discuss the work of the WCB.

Secretary of the Board



John Hillary
Secretary
of the Board

The Claims Services Review Committee, Assessment Review Committee, Internal Audit, Appeals Advisors and Appeals Registrars are included in the responsibilities of the Secretary of the Board.

Appeals Advisors

The appeals advisors continued to give free assistance to appellants dealing with 1,200 inquiries and conducting 592 interviews during 1986. They also assisted in the processing of 73 appeals of which 52 were accepted and 21 denied.

Claims Services Review Committee

For the second year in succession, the number of appeals dealt with by the Claims Services Review Committee declined. During 1986, the Claims Services Review Committee reached decisions on 911 appeals. This is a drop of 32% compared to the prior year. The committee changed the disposition of 42% of the appeals processed. In reaching these decisions the committee held 618 hearings. At year-end, 128 appeals were still being considered.

Assessment Review Committee

The Assessment Review Committee handled 106 appeals in 1986. There were 83 appeals on assessment matters and 23 seeking re-allocation of claims costs under Section 89(2) of the Act. The committee held 42 hearings. The committee altered the administration's decisions in 45% of the assessment appeals. Of the applications under Section 89(2), cost re-allocation was made in 58% of the cases concluded.

Appeals to Members of the Board

The Board members reviewed 472 claims and assessment files on appeal during the year. The Board also considered 81 requests for various forms of assistance, including pension advances, lump sum requests, vocational rehabilitation assistance, and wage loss supplements. Of the cases appealed, the Board altered the disposition of 36%. The members of the Board held a total of 95 meetings with workers and employers during the year.

Corporate Planning and Development

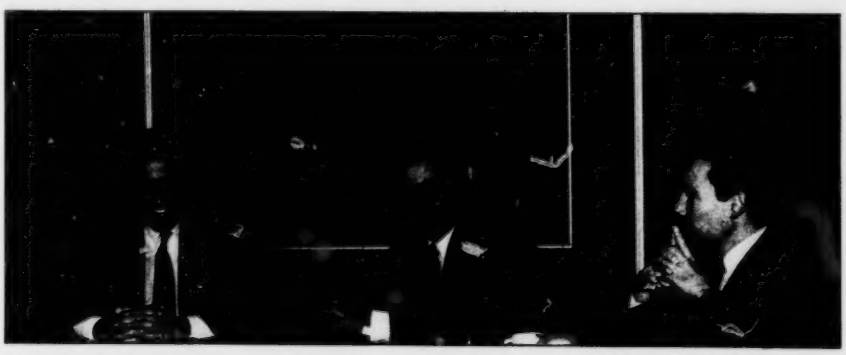
Ilan Hershman
Managing Director
Corporate Planning and Development

The managing director, Corporate Planning and Development, is responsible for the design and control of corporate management systems.

During 1986, an interdepartmental task force led by the managing director, developed a new service delivery model comprising interdisciplinary operating processes and an integrated delivery of services.

In the latter part of the year, a corporate directional planning project was put in place to ensure the WCB has a clearly defined statement of purpose and objectives. It will also ensure the WCB is adequately structured to respond to the realities of the 1980's and 1990's, and as such will identify emerging trends and opportunities for improvement. The issues that the planning process will address include mission, benefits issuance, funding, assessment, reserve management, claims management, rehabilitation, appeals, human resource management, administrative systems and management processes. In addition, external influences such as government, political associations, workers' associations, and business associations will be examined. The goal of the directional planning exercise is to develop a more effective and efficient organization which will provide a higher quality of service to injured workers and employers.

This planning project is being carried out with the assistance of a firm of management consultants and is scheduled to be completed in the third quarter of 1987.



Directional Planning Steering Committee members, the Honourable Jim Dinning (left), minister of Community and Occupational Health and Ken Pals (center), chairman and chief executive officer, discuss the planning process with Ilan Hershman, manager, Corporate Planning and Development.

Finance

Kenneth Coull
Executive Director
Finance

Results of Operations and Review of Financial Position

For the fourth consecutive year, and for the reasons given earlier, it was decided not to increase employers' rates of assessment. Not unexpectedly, this has resulted in a 1986 provisional operating deficit of $59.4 million which is marginally greater than the comparable 1985 result.

However, in spite of a continued decline in Alberta's economy, assessment revenues for the year increased to $302 million, a 12.7% growth over 1985. This growth follows two years of declining revenues and reflects a slight improvement in the 1986 average rate of assessment as a result of having terminated the merit rebate/super-assessment program.

Although interest rates have recently declined, income from invested assets remained strong during 1986, providing an average rate of return of 11.58% (11.86% in 1985). The Board continues to review its investment guidelines with a view to improving overall returns for the benefit of both claimants and employers. At year-end, acceptance of more flexible investment constraints allowed adoption of a revised long-run liability evaluation assumption of net 3% (previously 2½%).

Total assets have grown to $1,275 million; however, the estimated obligations of the WCB increased even faster to $1,564 million. This added to the unfunded liability position, which reached $289.7 million, and reflects the continued operating shortfalls as well as the impact of the general decline in interest rates. When interest rates fall, the current value of both assets and liabilities increase; however, liabilities are of longer duration than assets and thus rise more quickly in reaction to interest rate reductions.

The fact the WCB is only 81.5% of a fully-funded position at year-end 1986 is not cause for alarm. When interest rates begin to rise, the value of the shorter-duration assets will decline less quickly than the liability obligations with a resulting improvement in the unfunded position. The current position continues to be actively monitored. Rates of assessment will have to be adjusted to cover the cost of accidents in the near future.

Assessment

By mid-1986, the Assessment department had restored its usual high level of service to employers. This was achieved after resolving technical difficulties encountered in the development of a new computer system.

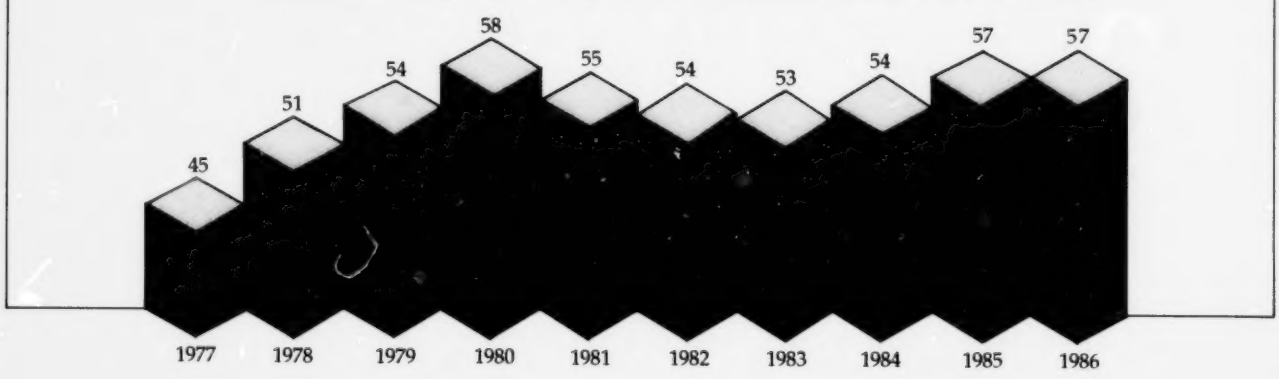
The department assumed responsibility for implementing the new experience rating program. Although 1986 was a transition year to allow for an orderly change from the merit rebate/super-assessment system to experience rating, some employer concerns were encountered. These concerns are being considered in finalizing the new program.

In response to overcrowding of the WCB's central office, the physical location of the Assessment department was changed in late 1986. This provided an opportunity for the department to streamline workflows and relocate staff. The move to more effectively serve employers was successfully completed December 31, 1986, and the Assessment department is now located at 9942 - 108 Street, Edmonton.

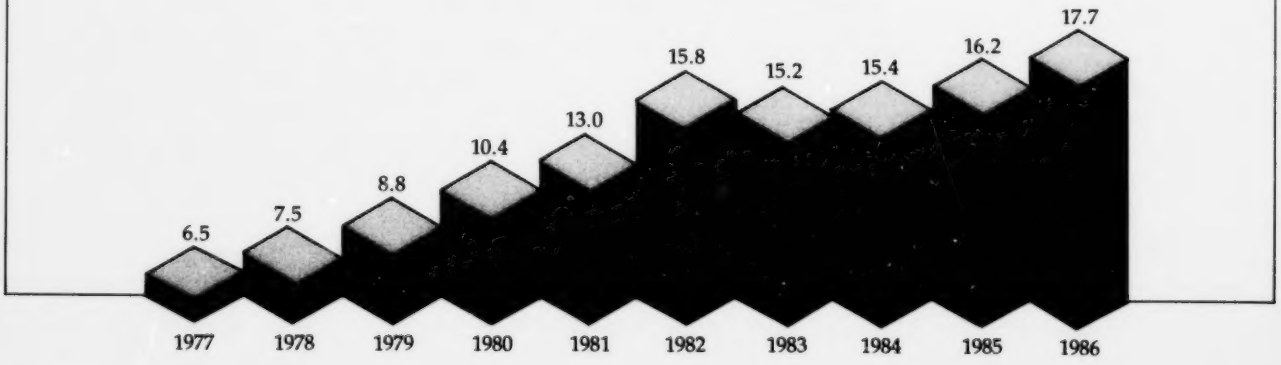
Employers Registered, Industry Accounts and Assessable Payroll

Year	Number of Employers Registered	Number of Industry Accounts	Assessable Payroll (000's)
1977	44,711	47,531	6,531,111
1978	50,716	54,050	7,527,979
1979	53,578	57,148	8,822,631
1980	57,646	61,470	10,394,183
1981	55,006	59,076	13,034,082
1982	53,891	58,201	15,832,600
1983	53,370	57,743	15,194,084
1984	54,145	58,860	15,380,360
1985	56,567	61,342	16,246,732
1986	56,741	61,370	17,731,027

Number of Employers Registered with the Alberta W.C.B. (000's)



Assessable Payroll in $ Billions



Financial Reporting Responsibility

The accompanying financial statements, and other financial information in this annual report, are the responsibility of management and have been approved by the Members of the Board. The financial statements have been prepared in accordance with generally accepted accounting principles, except as specifically described in note 2 to the financial statements, and of necessity include estimates and approximations which reflect the judgements of management.

Management has established systems of internal control designed to assure the reliability of accounting records and to properly safeguard assets. The Board ensures that management fulfills its responsibilities for financial reporting and internal control by meeting periodically with management and by reviewing reports of the internal and external auditors.

The Board has empowered Alberta Treasury – Investments with the responsibility of investing funds as authorized by Section 86(1) of the Act. Guidelines for investing are established by the Board; decisions on specific investments are made by Treasury.

The Auditor General of the Province of Alberta is the auditor of the Board, in accordance with Section 87(1) of the Act, and his opinion on the financial statements for the year ended December 31, 1986 follows.

TPF&C Limited have been appointed consulting actuaries to the Board for year-end 1986. Their opinion on the adequacy and appropriateness of the valuation of the Board's actuarial liabilities and on the proper provision for these costs is presented following the notes to the financial statements.

K.C. Pals

Kenneth C. Pals
Chairman and Chief Executive Officer

K.W. Coull

K. W. Coull
Executive Director, Finance

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

Auditor's Report

To the Members of The Workers' Compensation Board

I have examined the balance sheet of The Workers' Compensation Board as at December 31, 1986 and the following statements for the year then ended:

Statement of Changes in Accident Fund Balance
Summarized Statement of Operating Transactions
Statement of Reserve for Unfinalled Claims
Statement of Pension Fund
Statement of Reserves for Specific Claim Costs
Statement of Administrative, General and Accident Prevention Expenses
Statement of Rehabilitation Centre Operations

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1986 and the results of its operations for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied, except for the change in method of accounting for losses on fixed term investments and for significant permanent reductions in the value of mortgages and real estate as described in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Donald D. Salmon
C.A.
Auditor General

Edmonton, Alberta
March 30, 1987

Balance Sheet
As at December 31, 1986
(in thousands of dollars)

	1986	1985
ASSETS		
Cash	$ 28,897	$ 81,132
Term deposits (Note 4)	76,799	138,096
Assessments receivable (Note 5)	22,109	29,240
Accounts receivable	2,862	3,332
Advances to pensioners	2,429	3,224
Accrued interest	22,803	23,191
Investments (Note 4)	1,104,324	956,437
Land, buildings and equipment (Note 6)	11,379	12,804
Deferred charges and other assets (Note 7)	3,141	22,262
	$ 1,274,743	$ 1,269,718
LIABILITIES AND RESERVES		
Accounts payable	$ 1,948	$ 3,450
Deferred revenue (Note 8)	1,898	—
Employers' deposit accounts	480	309
Estimated merit rebates (Note 9)	—	76,375
Reserve for unfinalled claims	541,400	338,000
Pension fund	682,100	640,600
Reserves for specific claim costs	336,600	324,300
Reserve for loss on realization of investments	—	15,900
Accident fund balance (deficit)	(289,683)	(129,216)
	$ 1,274,743	$ 1,269,718

The accompanying notes are part of these financial statements.

Statement of Changes in Accident Fund Balance
For the Year Ended December 31, 1986
(in thousands of dollars)

	1986	1985
BALANCE AT BEGINNING OF YEAR	$ (129,216)	$ (114,254)
Add:		
Operating surplus (deficit)	(59,395)	(57,722)
Rehabiliation Centre operations (Note 10)	(1,029)	—
Closure of reserve for loss on realization of investments	15,900	—
	(173,740)	(171,976)
Deduct:		
Write down of proposed facility	—	4,673
Write down of deposit on land (Note 7)	3,000	—
Transfer to (from):		
Reserve for unfinalled claims	129,533	1,735
Pension fund	(44,563)	(116,632)
Reserves for specific claim costs	27,973	67,464
	115,943	(42,760)
BALANCE AT END OF YEAR	$ (289,683)	$ (129,216)

Summarized Statement of Operating Transactions
For the Year Ended December 31, 1986
(in thousands of dollars)

	Self-Insurers	Industry	1986 Total	1985 Total
REVENUE				
Assessments	$ 11,277	$ 290,691	$ 301,968	$ 344,766
Deduct: Estimated or adjusted merit rebates (Note 9)	—	—	—	76,730
	11,277	290,691	301,968	268,036
Investment income	(25)	129,453	129,428	128,724
Deduct: Portion allocated (Note 11)	—	135,294	135,294	130,128
	(25)	(5,841)	(5,866)	(1,404)
	$ 11,252	$ 284,850	$ 296,102	$ 266,632
EXPENDITURE				
Claim costs (Note 12)	$ 10,979	$ 305,289	$ 316,268	$ 267,995
Deduct portion charged to:				
Reserve for unfinalled claims	—	119,623	119,623	98,573
Reserves for specific claim costs	876	97,455	98,331	77,359
	10,103	88,211	98,314	92,063
Provision for:				
Reserve for unfinalled claims	—	116,400	116,400	101,399
Reserves for specific claim costs	—	96,386	96,386	91,196
Administrative and general expenses (Note 10)	1,092	37,426	38,518	30,900
Occupational Health and Safety (Note 13)	57	5,822	5,879	6,180
	$ 11,252	$ 344,245	$ 355,497	$ 321,738
PROVISIONAL SURPLUS (DEFICIT)	$ —	$ (59,395)	$ (59,395)	$ (55,106)
Deduct: Appropriation for reserve for loss on realization of investments			—	2,616
OPERATING SURPLUS (DEFICIT)			$ (59,395)	$ (57,722)

Statement of Reserve for Unfinalled Claims

For the Year Ended December 31, 1986
(in thousands of dollars)

	1986	1985
AMOUNTS PROVIDED		
By industry in respect of current year	$ 116,400	$ 101,399
Investment income (Note 11)	31,390	30,176
	147,790	131,575
AMOUNT APPLIED		
Claim costs in respect of prior years (Note 12)	119,623	98,573
NET INCREASE	28,167	33,002
Balance at beginning of year	338,000	303,263
	366,167	336,265
Transfer from (to) accident fund balance	129,533	1,735
	495,700	338,000
Transfer from rehabilitation reserve (Note 10)	45,700	—
BALANCE AT END OF YEAR	$ 541,400	$ 338,000

Statement of Pension Fund

For the Year Ended December 31, 1986
(in thousands of dollars)

	1986	1985
AMOUNTS PROVIDED		
Pension awards (Note 12)	$ 120,707	$ 107,803
Investment income (Note 11)	71,932	77,527
Province of Alberta (Note 14)	16,805	16,186
	209,444	201,516
AMOUNT APPLIED		
Pension payments	122,586	97,143
Deduct: Increase (decrease) in advances to pensioners	(795)	(396)
	123,381	97,539
NET INCREASE	86,063	103,977
Balance at beginning of year	640,600	653,255
	726,663	757,232
Transfer from (to) accident fund balance	(44,563)	(116,632)
BALANCE AT END OF YEAR	$ 682,100	$ 640,600

Statement of Reserves for Specific Claim Costs

For the Year Ended December 31, 1986

(in thousands of dollars)

	Rehabilitation	Enhanced Disabilities	**1986 Total**	1985 Total
AMOUNTS PROVIDED				
By industry in respect of current year	$ 14,430	$ 81,956	**$ 96,386**	$ 91,196
Investment income (Note 11)	3,721	28,251	**31,972**	22,425
	18,151	110,207	**128,358**	113,621
AMOUNTS APPLIED				
Claim costs (Note 12)	13,643	84,688	**98,331**	77,359
Rehabilitation Centre operating deficit	—	—	—	491
Administrative and general expenses	—	—	—	3,163
	13,643	84,688	**98,331**	81,013
NET INCREASE (DECREASE)	4,508	25,519	**30,027**	32,608
Balance at beginning of year	38,500	285,800	**324,300**	224,228
	43,008	311,319	**354,327**	256,836
Transfer from (to) accident fund balance	30,292	(2,319)	**27,973**	67,464
	73,300	309,000	**382,300**	324,300
Transfer from (to) reserves (Note 10)	(73,300)	27,600	**(45,700)**	—
BALANCE AT END OF YEAR	$ —	$ 336,600	**$ 336,600**	$ 324,300

Statement of Administrative, General and Accident Prevention Expenses

For the Year Ended December 31, 1986

(in thousands of dollars)

	1986	1985
Salaries and employee benefits	$ 28,795	$ 26,318
Depreciation of buildings and equipment	2,177	1,133
Data processing and office equipment rentals and maintenance	1,731	1,734
Maintenance, rental and operation of buildings	967	787
Telephone	787	694
Printing and office supplies	756	550
Audit, legal and other professional fees	748	228
Travelling	572	556
Postage, freight and express	564	526
Professional and technical memberships, publications, courses and seminars	409	335
Taxes	327	320
Media productions and advertising	131	106
Insurance and security services	104	94
Staff recruitment and relocation	70	126
Miscellaneous	135	85
	38,273	33,592
Add:		
Occupational Health and Safety (Note 13)	5,879	6,180
Alberta Health Care administration cost	180	180
Research grants	75	—
Administrative claim costs	315	536
	6,449	6,896
Deduct:		
Rental revenue	6	14
Miscellaneous revenue	319	231
	325	245
	$ 44,397	$ 40,243
CHARGED TO:		
Industry re:		
Administrative and general	$ 37,426	$ 29,474
Occupational Health and Safety	5,822	5,979
Self-insurers re:		
Administrative and general	1,092	1,426
Occupational Health and Safety	57	201
Reserve for rehabilitation (Note 10)	—	3,163
	$ 44,397	$ 40,243

Statement of Rehabilitation Centre Operations

For the Year Ended December 31, 1986

(in thousands of dollars)

	1986	1985
REVENUE		
Treatment charges	$ 4,922	$ 5,220
Other	373	273
	5,295	5,493
EXPENDITURE		
Salaries and employee benefits	4,629	4,533
Maintenance and operation of building and equipment	494	454
Medical and therapy supplies	387	334
Cafeteria	198	151
Depreciation of building and equipment	195	192
Medical consulting fees	95	15
Telephone	88	81
Transportation of patients	52	56
Professional and technical memberships, publications, courses and seminars	46	40
Laundry service and uniforms	31	36
Printing and office supplies	27	18
Travelling	20	19
Staff recruitment and relocation	18	14
Miscellaneous	44	41
	6,324	5,984
OPERATING SURPLUS (DEFICIT)	$ (1,029)	$ (491)

Notes to the Financial Statements
December 31, 1986

1. AUTHORITY

The Workers' Compensation Board operates under the authority of the Workers' Compensation Act, Statutes of Alberta 1981, Chapter W-16, as amended.

2. SIGNIFICANT ACCOUNTING POLICIES

General:

These financial statements have been prepared in accordance with generally accepted accounting principles except for the following:

(i) A gain or loss on sale of a fixed term investment is deferred and amortized to the lesser of ten years or the appropriate maturity or call date of the disposed investment.

(ii) A gain or loss on sale of an equity is deferred and amortized to investment income at 15% per annum, applied to the unamortized balance. Unrealized gains and losses are also amortized to investment income at 15% per annum, applied to the unamortized balance.

(iii) Assessment revenue is adjusted by the allowance for doubtful assessments receivable.

Assessments Receivable:

Assessments receivable and assessment revenue are increased by an amount that is the net adjustment estimated to be required when all employers' payroll returns are received and payroll audits completed in respect to 1986.

Depreciation:

Depreciation is recorded as follows:

Central office building	2½% diminishing balance
Regional office buildings and Rehabilitation Centre	2½% straight line
Equipment – Data processing ...	35% diminishing balance
– Other	15% diminishing balance
Automobiles	25% straight line (first year)
	20% straight line (thereafter)

Translation of Foreign Currency:

All assets and liabilities held in foreign currency are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date except investments and term deposits which are translated at historical exchange rates.

Actuarial Liabilities:

Actuarial liabilities are the present value amounts estimated to be required to meet the future cost of claims in respect of current and prior years' accidents and are reviewed annually by an independent consulting actuary.

Accident Fund Balance Transfers:

The reserves and fund balances are maintained equal to the actuarial liabilities. Where there is a shortfall or excess between a reserve or fund balance and the calculated present value of the liability as at the balance sheet date, the difference is transferred from or to the accident fund balance.

3. CHANGE IN ACCOUNTING POLICY

Prior to 1986, losses on fixed term investments and significant permanent reductions in the value of mortgages and real estate were charged to the reserve for loss on realization of investments. The annual provision for the reserve was appropriated from the operating deficit.

In 1986, the Board authorized the closure of this reserve and the balance transferred to the

accident fund balance. Losses on fixed term investments and significant permanent reductions in the value of mortgages and real estate will now be charged to the accident fund balance when they are recognized. If this change in accounting policy had been applied retroactively, the effect would have been to reduce the 1985 opening accident fund balance by $16,876,000, to reduce the 1985 operating deficit by $2,616,000 and to show a charge to the accident fund balance in 1985 of $3,592,000 for the write down of a real estate investment.

4. TERM DEPOSITS AND INVESTMENTS

Term deposits are recorded at amortized cost and consist of certificates of deposit, guaranteed investment certificates, treasury bills and promissory notes.

Investments are recorded at amortized cost with the exception of real estate and equities which are at cost.

The approximate market value of investments as at December 31, 1986 amounts to $1,240,957,000 (1985 – $1,071,848,000).

5. ASSESSMENTS RECEIVABLE

In accordance with the accounting policy described in Note 2, assessments receivable and assessment revenue have been increased by $15,707,000 (1985 – $21,709,000).

The allowance for doubtful assessments receivable as at December 31, 1986 amounts to $2,600,000 (1985 – $3,500,000). Net bad debt write offs totalling $1,409,000 (1985 – $890,000) have been charged to the allowance. Assessments receivable are disclosed net of the allowance for doubtful assessments receivable.

6. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are as follows (in thousands of dollars):

	1986			1985
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 604	$ —	$ 604	$ 604
Buildings	9,402	3,664	5,738	5,939
Equipment	9,907	4,870	5,037	6,261
	$19,913	$8,534	$11,379	$12,804

7. DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets are as follows (in thousands of dollars):

	1986	1985
Amortized gain or loss on equities, net (Note 2(ii))	$2,039	$ 4,835
Unamortized software costs	900	220
Leasehold improvements	202	—
Unamortized net loss on sale of fixed term investments	—	14,207
Deposit for purchase of land	—	3,000
	$3,141	$22,262

A decision by the Board not to proceed with a proposed administration and rehabilitation centre facility has resulted in a write off of the deposit for the purchase of land to the accident fund balance.

8. DEFERRED REVENUE

Deferred revenue is the unamortized net gain on sale of fixed term investments.

9. ESTIMATED MERIT REBATES

Prior to 1986, an estimated liability was established for payment of merit rebates.

In 1986, a revised assessment program was implemented and an estimated liability for future merit rebates is no longer required. Any adjustments to merit rebates in respect of 1985 and prior years' assessment revenue are included in Assessments.

10. RESERVE FOR REHABILITATION

Prior to 1986, the reserve for rehabilitation had charged to it claim costs for rehabilitating injured workers, administrative costs relating to those claims and the operating results of the Rehabilitation Centre.

In 1986, the Board approved the closure of this reserve. The liabilities are transferred to the reserve for unfinalled claims and the reserve for enhanced disabilities. Administrative costs for those claims formerly charged to the reserve are included in the Summarized Statement of Operating Transactions and the operating results of the Rehabilitation Centre are charged to the accident fund balance.

11. INVESTMENT INCOME ALLOCATION

Investment income has been allocated as follows (in thousands of dollars):

	1986	1985
Reserve for unfinalled claims	$ 31,390	$ 30,176
Pension fund	71,932	77,527
Reserves for specific claim costs	31,972	22,425
	$135,294	$130,128

12. CLAIM COSTS

Claim costs are as follows (in thousands of dollars):

	Self-Insurers	Industry 1986	Industry Prior Years	1986 Total	1985 Total
Compensation	$ 3,409	$57,269	$ 87,112	$147,790	$116,335
Pension awards	5,165	19,673	94,810	119,648	106,450
Medical aid	2,405	18,955	27,470	48,830	45,210
	10,979	95,897	209,392	316,268	267,995
Deduct portion charged to:					
Reserve for unfinalled claims	—	—	119,623	119,623	98,573
Reserves for specific claim costs	876	7,686	89,769	98,331	77,359
	$10,103	$88,211	$ —	$ 98,314	$ 92,063

Medical aid includes reimbursements to the Alberta Health Care Insurance Fund for payment of basic health services provided to injured workers in the amount of $11,546,000 (1985 – $9,855,000). Also included are charges in the amount of $5,295,000 (1985 – $5,493,000) for treatment of injured workers at the Rehabilitation Centre.

Pension awards are net of recoveries credited to employers' accident experience in the amount of $1,059,000 (1985 – $1,353,000). These pension award recoveries are retained in the Pension Fund.

13. OCCUPATIONAL HEALTH AND SAFETY

In accordance with Order in Council 51/86 dated January 23, 1986 the Workers' Compensation Board paid to the Provincial Treasurer an amount of $5,879,000 in 1986 to partially defray the costs of administering the Occupational Health and Safety Act.

14. ADDITIONAL PAYMENTS OF COMPENSATION

Reimbursement is received from the General Revenue Fund of the Province of Alberta to cover payments made under Sections 42, 52 and 71 of the Act.

15. COMPARATIVE FIGURES

The 1985 figures are reclassified where necessary to conform to 1986 presentation.

16. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board.

TPF&C

Actuarial Opinion

To the Members of The Workers' Compensation Board – Alberta:

After consultation with me, the Actuarial Services department of The Workers' Compensation Board has made an evaluation of the liabilities for Unfinalled Claims, the Pension Fund and for Specific Claim Costs of the Board at December 31, 1986. This evaluation was based on the provisions of the Workers' Compensation Act in effect at December 31, 1986. However, as in previous evaluations, the funding policy of the Board has been reflected by including in the evaluation an allowance for potential future legislated benefit increases.

In my opinion,

1. the evaluation conforms to the Recommendations of the Canadian Institute of Actuaries;
2. the amounts of the liabilities for Unfinalled Claim ($541,400,000), the Pension Fund ($682,100,000) and for Specific Claim Costs ($336,600,000) make proper provision for expected future payments for which the Accident Fund is financially responsible under the Workers' Compensation Act; and
3. proper provisions on account of the liabilities for Unfinalled Claims ($116,400,000) and for Specific Claim Costs ($96,386,000) have been made in the Summarized Statement of Operating Transactions in respect of claims incurred during 1986.

TPF&C LIMITED

Mark W. Campbell, F.S.A., F.C.I.A.

Edmonton, Alberta
March 19, 1987

Investment Portfolio

As at December 31, 1986

(in thousands of dollars)

SECURITY	1986 BOOK VALUE	1986 MARKET VALUE	1985 BOOK VALUE	1985 MARKET VALUE
INVESTMENTS				
Bonds				
Government of Canada and Provincial guaranteed	$ 713,047	$ 772,926	$ 648,109	$ 694,973
Corporate	100,351	105,039	98,752	105,641
	813,398	877,965	746.861	800,614
Mortgages				
N.H.A. guaranteed	25,661	26,656	23,150	23,946
Commercial	20,771	23,919	23,950	27,304
	46,432	50,575	47,100	51,250
Real Estate	38,280	38,280	24,421	24,347
Equities				
Preferred shares	4,980	6,049	3,948	5,210
Common shares	199,152	264,769	133,291	188,644
Warrants	2,082	3,319	816	1,783
	206,214	274,137	138,055	195,637
TOTAL INVESTMENTS	1,104,324	1,240,957	956,437	1,071,848
CASH	28,897	28,897	81,132	81,132
TERM DEPOSITS	76,799	78,398	138,096	142,769
TOTAL INVESTMENT PORTFOLIO	$ 1,210,020	$ 1,348,252	$ 1,175,665	$ 1,295,749

Contained within the investment portfolio is $116,700,000 (1985 – $104,929,000) acquired through the United States accounts.

A detailed listing of investments is available upon request.

UNAUDITED.